

would be eligible to reside in the properties.

(b) *Maximum acquisition costs.* The cost of acquiring an eligible property (by a recipient or other entity for transfer to eligible families or by an eligible family from a recipient or directly from an eligible source) may not exceed the as-is fair market value of the property, plus reasonable and customary closing costs charged for comparable transactions in the market area. The as-is fair market value of a property must be determined in accordance with a recent appraisal conducted under procedures consistent with appraisal standards published by The Appraisal Foundation in the current edition of "Uniform Standards of Professional Appraisal Practice."

(c) *Maximum cost of acquisition and rehabilitation.* The cost of acquisition and rehabilitation paid for from grant funds or credited as match may not exceed 80 percent of the maximum amount that may be insured in the area under section 203(b) of the National Housing Act, plus reasonable and customary closing costs charged for comparable transactions in the market area.

(d) *Rehabilitation standards.* (1) The recipient is responsible to assure that rehabilitation of eligible property meets local codes applicable to rehabilitation of work in the jurisdiction (but not less than the housing quality standards established under the Section 8 rental voucher program, described in § 982.401 of this title). Rehabilitation must also include work necessary to meet applicable federal requirements, including lead-based paint requirements set forth at part 35, subparts A, B, J, K, and R of this title.

(2) The property must be rehabilitated to a level that makes it marketable for homeownership in the market area to families with incomes at or below 80 percent of the median for the area. Luxury items (fixtures, equipment, and landscaping of a type or quality that substantially exceeds that customarily used in the locality for properties of the same general type as that being rehabilitated) are not eligible expenses. HUD reserves the right to disapprove improvements or amenities to be paid for from nonprogram funds

that it determines are unsuitable for the HOPE 3 program.

(3) Rehabilitation costs must comply with the cost standards established by HUD (see paragraph (c) of this section for applicable cost limitations covering both acquisition and rehabilitation). If improvements are made to an eligible property beyond those that qualify as eligible costs, the applicant must assure that the entire cost of the excess improvements will be covered by funds other than the HOPE 3 grant and any amounts contributed toward the match, and that the affordability of the property will not be impaired.

(4) Higher standards may be proposed by the applicant or required by lenders.

(5) The applicant must adopt written rehabilitation standards.

(e) *Rehabilitation and transfer of units.*

(1) The unit must be free from any defects that pose a danger to life, health, or safety before transfer of an ownership interest in the unit to the family or occupancy of a unit by an eligible family under a lease-purchase agreement. The recipient must inspect, or ensure inspection of, each unit to determine that it does not pose an imminent threat to the life, health, or safety of residents and that the property has passed recent fire and other applicable safety inspections conducted by appropriate local officials.

(2) The unit must, not later than 2 years after transfer of an ownership interest in the unit to an eligible family, or execution of a lease-purchase agreement for the unit, meet minimum rehabilitation standards under paragraph (d)(1) of this section. The recipient must inspect, or ensure inspection of, each unit to determine that it meets the rehabilitation standards required under paragraph (d)(1) of this section.

[58 FR 36526, July 7, 1993, as amended at 62 FR 34145, June 24, 1997; 64 FR 50226, Sept. 15, 1999]

EFFECTIVE DATE NOTE: At 64 FR 50226, Sept. 15, 1999, § 572.100 was amended by revising paragraph (d)(1), effective Sept. 15, 2000. For the convenience of the user, the superseded text is set forth as follows:

§ 572.100 Acquisition and rehabilitation of eligible properties; rehabilitation standards.

* * * * *